



# ANNUAL REPORT 31 March 2020

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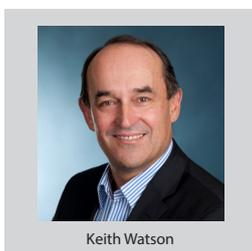
## About NZIER

- The NZ Institute of Economic Research Inc (NZIER) is an independent economic consulting and forecasting organisation specialising in quality economic analysis and research to help decision-makers in both the private and public sectors with strategic and policy advice.
- We devote a share of the surplus on our operations to fund our public good research and other activities.
- We are a non-profit incorporated society that was established in 1958.
- We are independent of Government and any other organisation and we conduct our activities in an impartial and independent manner free from bias or any sectional interest.
- Membership is open to all.

## Thanks

- Premium members, members and clients for providing the funding necessary to carry out the Institute's work.
- The New Zealand Treasury for providing a grant towards the cost of the *Quarterly Survey of Business Opinion*.
- Catherine Beard, Yuong Ha, Dr Veronica Jacobsen, Tim Ng and Professor Peter Tait for being part of the Awarding Panel for the 2019 NZIER Economics Award.
- Dr Alan Bollard, Chair for Pacific Region Business at Victoria University of Wellington, for providing the address at our 2019 Annual General Meeting on the topic *Inside the economic brain of Donald J. Trump*

# Chair's report



Keith Watson

This is my first report as Chair of NZIER. It is an honour to serve a leading organisation whose voice on the economic issues that confront New Zealand has been strong, independent and informed for over 60 years. NZIER's commitment to data-driven, evidence-based insight will be sorely needed in the uncertain times ahead.

I follow an exceptional Chair in Dr Di McCarthy, CRSNZ CNZM. Di's knowledge of the research environment within New Zealand, her impressive academic background and above all her clear-sighted and positive guidance have been of enormous value to the Institute during her years as Chair. I am delighted that she has agreed to remain on the Board as Deputy Chair.

At a time when so many businesses are reducing staff and cutting costs, it is very pleasing to report that 2019/20 was a year of growth and investment for NZIER. Investments have included the final stage of a multi-year programme that modernised NZIER's systems and transferred them to the cloud. The Covid-19 emergency revealed the wisdom of this policy – NZIER was able to continue to operate without interruption when the lockdown was imposed.

## Financial results

NZIER had a successful year financially. Revenue increased by 12% over the prior fiscal year. Employee-related costs rose by \$700K (23% over the previous year) as a result of the strong demand for the Institute's services during the year. All other expenses reduced by 14%, reflecting strong financial discipline within the business.

Our surplus for the year was a healthy \$214,130. NZIER also applied \$325,768 to public good outputs during the year, an increase of \$60K over the prior year. Our net asset position strengthened during the year, and net cash flows were positive at \$275,730, after applying \$164,986 in cash to investments, chiefly in information systems to support the business.

NZIER's auditors have reviewed our plans for managing against the impact of the Covid-19 pandemic and concluded that we have the resources and procedures in place to continue operating and that the going-concern assumption remains robust.

## Public Good

At the heart of NZIER's mission is its public good programme, which seeks to educate and encourage debate on economic issues affecting New Zealand. NZIER funds the activities and projects that comprise the public good programme itself, and this ethos underpins the approach of the Board, the Chief Executive and the staff to all its activities.

During the financial year, NZIER spent a total of \$325,768 on public good activities, up from \$264,852 in the previous year. This sum includes funds devoted to the annual NZIER Economics Award, which recognises excellence in economics of relevance to New Zealand. I am grateful to the members of the independent Awarding Panel who give up their time to review the proposals and recommend a recipient. In 2019, the Award was presented to John McDermott, Executive Director of Motu. John's distinguished career in economics has included stints as Assistant Governor and Principal Economist at the Reserve Bank of New Zealand and the International Monetary Fund. His publication record includes articles on international commodity prices, real exchange rates and business cycles.

The Public Good Programme also funds NZIER's series of Insights – brief papers intended to stimulate public discussion on important topics. The range of topics covered during the year has been extensive, from implementing road pricing through business confidence to improving the wellbeing of children living in poverty.

#### Staff

NZIER would find it impossible to sustain its high reputation in the market without placing an absolute priority on the calibre of its staff. Once again, the quality of the economists who have joined the organisation during the year has been outstanding. It is also pleasing to note that 2019/20 has seen several former employees return to NZIER after gaining valuable experience elsewhere – a tribute to NZIER's employment brand.

#### Governance

The Audit and Remuneration Committees have both continued to operate well. I extend my thanks to the members of those Board committees.

We had three retirements from the Board during the year: Angela Bull, Paul Baines and Professor Viv Hall. Angela has been with us since 2016 and Paul since 2005. Viv's service extends all the way back to 1996 – five Chief Executives have benefited from his guidance over that time. We will miss Angela, Paul and Viv, but three excellent new members have joined NZIER during the last financial year: Paula Brosnahan, Bruce Wattie and Professor Les Oxley. We extend a warm welcome to all of them.

#### Thanks

On behalf of NZIER, and personally, I again thank all the Board members for their contributions to NZIER's success during the last financial year.

I would also like to extend my thanks to all the staff of NZIER and Chief Executive Laurence Kubiak for their commitment to NZIER and for their real achievements on its behalf.



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*Keith Watson, Chair, July 2020*

# Chief Executive's report



NZIER can look back over the last year with great satisfaction. Demand for our services has been strong, and it is very gratifying to reflect on all the interesting and important projects we have worked on for clients in both the public and private sector. Our membership started to grow towards the end of the financial year and continues to do so as many organisations throughout New Zealand grapple with the extraordinary times we are living through. The value of an institution such as NZIER, which is impartial, independent, data-driven and evidence-based, is starkly apparent in the current circumstances as organisations try to chart a course through unusual uncertainty and plan for a future in which the assumptions that held only yesterday are now under scrutiny and question.

The performance of NZIER's staff against this backdrop has been both humbling and invigorating. The combination of attributes that make up an NZIER consultant is rare indeed. Our success in adding to the bench even more economists with subject specialties that complement and expand the capabilities of NZIER is a real achievement. I would also like to pass on my thanks to the support team for continuing to make improvements that ensure the smooth running of the Institute.

I have benefited enormously from the steady guidance of the Board during the year and would like to record my particular thanks to Board Chair Dr Di McCarthy for her support and wise counsel. Di has now passed the torch to Keith Watson, but I am delighted that Di will continue to be a Board member. I am sure that the wide business knowledge that Keith brings to the role will be of great value in the years to come.

I mentioned above the recent growth in the number of members of NZIER. Acting as an independent business barometer and an independent source of macro-economic advice and forecasting is at the heart of NZIER's membership offering, and we expect demand for our membership products to increase over the year ahead. Christina Leung, our Head of Membership, has recently added another international award for forecasting to the two she holds already: the Focus Economics Award.

The client work we have undertaken over the last year is of such astonishing variety that I am at a loss to know what to single out for comment. Should it be the value to NZ Inc of having public weather forecasts and warnings? Or the assessment of the effect of the government's new water quality proposals on the New Zealand economy? Do sister city arrangements deliver any value, and if so, how? What changes to community midwife arrangements are beneficial to mother and baby? What is the value of having a port in the middle of New Zealand's largest city? How can we put a figure on the benefits that flow from international Mutual Recognition Agreements? Should New Zealand move to one pharmacy regulator? What is the future of international regulatory competition in East Asia? These are just examples of our work in the public domain – including confidential client work would produce a list of even more bewildering variety. Our thanks go to our clients – in both the public and the private sectors, both national and international – who entrust their wickedest questions to us. The constant flow of interesting questions makes NZIER a truly stimulating and challenging place to work.

I extend my deepest thanks to all who contributed to NZIER during its 60th anniversary year. To the staff of NZIER, who are economists of uncommon skill and insight as well as thorough professionals with clients and supportive collaborators with colleagues. To the Board, whose wise and experienced guidance has been invaluable during this time of change and opportunity. To our members, whose support allows NZIER to carry out its important role as an impartial business barometer and an independent source of macro-economic advice and forecasting. Above all to our clients, who commission us to work on questions that matter not only to the individual organisations concerned but often to the prosperity or wellbeing of all New Zealanders.

NZIER's Policy Advice Benchmarking work continues to be in high demand. Last year, we continued to expand the number of local and central government clients for this work and provided practical advice on lifting the quality of their analysis and communication.

I would like to close by thanking my colleagues for all they have done throughout the year to sustain and enhance NZIER's already enviable reputation for authority, independence and rigour. I also thank the Board for their guidance and support as we work together to grow the contribution, influence and long-term success of NZIER.



*Laurence Kubiak, Chief Executive, July 2020*

# NZIER Board

The role of the NZIER Board is to:

- Be responsible for the Institute continuing to strive towards attaining its goals as they are agreed from time to time, and for the Institute’s strategic direction.
- Monitor and safeguard the continuation of the Institute in good financial health and morale.
- Ensure the employment of a Chief Executive of the Institute, on appropriate terms, and monitor the Chief Executive’s performance relative to those terms.
- Keep under review the performance of the Chief Executive and, through the Chief Executive, the Institute’s staff.
- Give advice to the Chief Executive on questions of general business practice or standards within the knowledge of the Board and give advice on strategic planning initiatives and issues.

## NZIER Board as at 31 March 2020



Keith Watson  
Chair



Dr Dianne McCarthy  
Deputy Chair



Paula Brosnahan



Professor Les Oxley



Grant Pryde  
Chair HR and Remuneration Committee



Bruce Wattie  
Chair Audit and Risk Committee



Laurence Kubiak, Chief Executive  
Ex officio

Auditors Grant Thornton  
Solicitors Kensington Swan  
Secretary JT Matthewson

# Members 2019-20

## Premium members

Auckland Council  
Citi Investment Research and Analysis  
Colliers International New Zealand  
Commerce Commission  
Greater Wellington Regional Council  
Horizon Energy Distribution Ltd

Jones Lang LaSalle Advisory Ltd  
Ministry of Business, Innovation & Employment  
Ministry of Foreign Affairs & Trade  
Reserve Bank of New Zealand  
Strategic Pay Ltd  
The Treasury

## Standard members

AAPC Properties Pty Ltd  
Accident Compensation Corporation  
AgResearch Limited  
Airways Corporation of New Zealand Ltd  
AllianceBernstein Australia Limited  
ANZ Banking Group Ltd  
ASB Bank Ltd  
Auckland University of Technology  
Bancorp New Zealand Ltd  
Bank of New Zealand  
Bayleys Real Estate Ltd  
Beef and Lamb New Zealand Ltd  
Boffa Miskell  
Business New Zealand  
Callaghan Innovation  
Cameron Partners Limited  
CB Richard Ellis Ltd  
Darroch Ltd  
Deloitte  
Deutsche Group Services Pty Ltd  
Embassy of the United States of America  
Ernst and Young  
Fletcher Building Ltd  
Fonterra Cooperative Group  
Genesis Energy  
Goldman Sachs New Zealand Limited  
Grant Thornton NZ Ltd  
Habour Asset Management  
Holcim ( New Zealand) Ltd  
Holden New Zealand Ltd  
Infometrics Ltd  
Inland Revenue Department  
JETRO  
JP Morgan

Kiwi Property Management Ltd  
Kiwibank  
KPMG  
Lincoln University  
Massey University  
Ministry of Education  
Ministry of Social Development  
Ministry of Transport  
National Australia Bank  
New Zealand Refining Co Ltd  
New Zealand Trade & Enterprise  
Office of the Controller & Auditor-General  
Omnicom Media Group  
Oyster Property Group Ltd  
Pacific Aluminium New Zealand Ltd  
Palmerston North City Council  
Parliamentary Library  
Powerco Ltd  
PricewaterhouseCoopers  
Productivity Commission  
Rank Group Limited  
Rider Levett Bucknall  
Statistics New Zealand  
Steel and Tube Holdings Ltd  
Stride Property Management Ltd  
The Todd Corporation Ltd  
Toyota New Zealand Ltd  
UBS New Zealand Ltd  
University of Auckland  
Vector Ltd  
Victoria University of Wellington  
Waste Management NZ Ltd  
Westpac New Zealand Ltd  
Wigram Capital Advisors Ltd

# Public Good

Each year NZIER undertakes or funds activities to promote and assist research into economic problems directly or indirectly affecting New Zealand. These activities are mostly funded from our own resources, and occasionally from sponsorship.

## NZIER Economics Award

The NZIER Economics Award was established in 1994 to promote and recognise excellence in economics of direct or indirect benefit to New Zealand.

The 2019 Award was presented to Dr John McDermott for his contribution to economic policy in New Zealand.

A copy of the full citation can be viewed at [www.nzier.org.nz](http://www.nzier.org.nz)

## Publications

Part of our public good work involves preparing and publishing freely-available reports on economic topics of importance to New Zealand. During the 2019-20 year we published:

- **NZIER public discussion papers**
  - Kia māia: Be bold, Improving the wellbeing of children living in poverty
  - What price to relieve the gridlock? A non-technical guide to the road pricing implementation debate
  - Regulatory management toolkit
- **Insights** Feature pieces on topical economic and policy issues:
  - Okun's Law and labour market reform
  - Using big data and economics to understand and improve wellbeing
  - Is the sky falling? What business confidence surveys can tell us about recessions
  - Recession: what are the chances?
  - New Zealand's pandemic response: Best practice or just a practice run?
- **Monetary Policy Shadow Board** provides a recommendation ahead of each monetary policy decision.
- **Consensus Forecasts** provides quarterly consensus views on the economy.

## Further Public Good work

Some further examples of our public good work during the 2019-20 year are:

- Hosting and publishing the Prime Minister's Summer Reading list event and list
- Maintaining and hosting [www.data18.50.nz](http://www.data18.50.nz), a repository for long-term economic data for New Zealand
- Sponsorship of the NZ Association of Economists annual poster prizes
- Responding to inquiries from the public and students looking for information about the New Zealand economy
- Providing comment for the media
- Presentations at conferences and workshops.

NZIER's Public Good publications are available from [www.nzier.org.nz/publications](http://www.nzier.org.nz/publications)

# Membership services

NZIER offers its members a comprehensive macro-economic forecasting service. Successful organisations need a clear picture of the economy, and how it is likely to develop. Economic forecasts can help our members understand the economic circumstances that are likely to prevail in the future, allowing them to take advantage of economic opportunities and minimise the impact of downturns.

Our standard membership services are listed below. In addition, we offer our members customised analysis and strategic briefings.

Information on becoming a member is available at [www.nzier.org.nz/about/membership](http://www.nzier.org.nz/about/membership)

Membership products are available at [www.nzier.org.nz/publication](http://www.nzier.org.nz/publication)

## Quarterly Predictions

*Quarterly Predictions* contains detailed and comprehensive forecasts for the New Zealand economy. Each issue contains forecasts for four to five years ahead, with focus on the composition and drivers of economic growth in the coming two years. Empirical analysis is complemented by an examination of related economic and policy issues, and any risks attached to the forecasts.

During the 2019-20 year issues 222-225 were published.

## Quarterly Survey of Business Opinion

Begun in 1961, NZIER's *Quarterly Survey of Business Opinion* is New Zealand's longest running and most comprehensive business confidence survey. The resulting indicators are a valuable tool for assessing the current state of the economy, and forecasting short term economic activity.

The survey samples manufacturers, builders, architects, wholesalers and retailers, and service sector firms. Information from these industries provides useful indicators of future investment patterns, and the likely direction and composition of economic growth in coming quarters.

During the 2019-20 year issues 232-236 were published.

## CPI Forecasts

This specialist publication provides the forecasts of inflation in the Consumer Price Index (CPI) of all the major forecasting organisations in one place.

The CPI Forecast Summary table is published four times a year in March, June, September and December.

# Economic consulting

NZIER provides independent economic consultancy to businesses and government agencies.

We help our clients take advantage of opportunities and solve problems by applying our expertise in economics and knowledge of our clients' sectors.

Each year, with the permission of our clients, we make a number of reports publicly available on our website. Visit [nzier.org.nz](http://nzier.org.nz) for further information on our consulting services.

# Summary financial statements

## for the year ended 31 March 2020

### Notes

#### 1. General Information

The summary financial statements are presented in New Zealand dollars, which is the Institute's functional and presentation currency.

The summary financial statements have been prepared in accordance with FRS 43: Summary Financial Statements.

The summary financial statements have been extracted from audited financial statements authorised by the Board of Directors for issue on 10 June 2020.

The full financial statements comply with New Zealand generally accepted accounting practice and were prepared under the framework for differential reporting.

An unmodified audit opinion was issued on the full financial statements.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements are available on the NZIER website [www.nzier.org.nz](http://www.nzier.org.nz).

The summary financial statements are for New Zealand Institute of Economic Research (Inc.) as a separate legal entity. The Institute is designated as a public benefit entity for financial reporting purposes.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

#### 2. Public good work

In addition to direct operational expenditure of \$46,652 (2019: \$25,826) on a wide range of public good projects, the Institute incurred a further \$226,901 (2019: \$239,026) at normal charge out rates of staff time on Institute public good activities, and \$52,215 for direct capitalised project costs (2019: nil). The total resources applied to public good work was \$325,768 (2019: \$264,852).

## Statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 \$	2019 \$
<b>Revenue from non-exchange transactions</b>			
Other grants		-	15,000
		-	15,000
<b>Revenue from exchange transactions</b>			
Membership fees		265,762	278,698
Contract research income		5,031,417	4,387,166
Interest income		41,460	41,064
Other operating income		588	462
Sublease rental income		270,126	274,542
<b>Total revenue</b>		<b>5,609,353</b>	<b>4,981,933</b>
<b>Expenses</b>			
Direct public good costs	2	46,652	25,826
Employee related costs		3,698,011	3,004,607
Contract expenses		415,682	529,184
Depreciation and amortisation		135,254	167,487
Operating expenses		1,076,815	1,239,940
Operating lease rental		22,809	20,551
<b>Total expenses</b>		<b>5,395,223</b>	<b>4,987,595</b>
Other comprehensive revenue and expenses		-	-
<b>Total comprehensive revenue and expense for the year</b>		<b>214,130</b>	<b>9,338</b>

## SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### Statement of financial position as at 31 March 2020

	Note	2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents		1,028,991	753,261
Investments		1,036,195	1,000,000
Receivables from exchange transactions		1,268,104	1,014,633
Accrued income		580,868	410,674
Prepayments		49,740	48,403
		<u>3,963,898</u>	<u>3,226,971</u>
<b>Non-current assets</b>			
Intangible assets		87,769	41,426
Property, plant and equipment		287,762	295,483
		<u>375,531</u>	<u>336,908</u>
<b>Total assets</b>		<u>4,339,429</u>	<u>3,563,880</u>
<b>Current liabilities</b>			
Trade and other payables		182,398	245,416
Employee entitlements		817,620	256,803
GST payable		199,885	107,854
Lease inducement		-	10,588
Revenue in advance from exchange transactions		334,632	352,456
<b>Total liabilities</b>		<u>1,534,535</u>	<u>973,117</u>
<b>Net assets</b>		<u>2,804,894</u>	<u>2,590,764</u>
<b>Equity</b>			
Net surplus/total comprehensive revenue & expenses		2,804,894	2,590,764
<b>Total equity</b>		<u>2,804,894</u>	<u>2,590,764</u>

## Statement of changes in net assets for the year ended 31 March 2020

	Accumulated surpluses	Total equity
	\$	\$
Opening balance 1 April 2019	2,590,764	2,590,764
Total comprehensive surplus	214,130	214,130
<b>Closing equity 31 March 2020</b>	<b>2,804,894</b>	<b>2,804,894</b>
Opening balance 1 April 2018	2,581,426	2,581,426
Total comprehensive surplus	9,338	9,338
<b>Closing equity 31 March 2019</b>	<b>2,590,764</b>	<b>2,590,764</b>

## Cash flow statement for the year ended 31 March 2020

	2020	2019
	\$	\$
Net cash flows from operating activities	440,716	(27,594)
Net cash flows from investing activities	(164,986)	(441,752)
Net (decrease) in cash and cash equivalents	275,730	(469,346)
Cash and cash equivalents at 1 April	753,261	1,222,606
<b>Cash and cash equivalents at 31 March</b>	<b>1,028,991</b>	<b>753,261</b>

NZ Institute of Economic Research Inc

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